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SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

FINANCIAL REPORT

DECEMBER 31, 2010 AND 2009

CONTENTS

PETERSON SULLIVAN LLP

CERTIFIED PUBLIC ACCOUNTANTS

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SEATTLE, WASHINGTON 98101

INDEPENDENT AUDITORS' REPORT

To the Trustee
Successor Coeur d'Alene Custodial and Work Trust
Olympia, Washington

We have audited the accompanying statements of assets, liabilities, and trust equity - modified cash basis of Successor Coeur d'Alene Custodial and Work Trust ("the Trust") as of December 31, 2010 and 2009, and the related statements of revenue, expenses, and changes in trust equity - modified cash basis for the year ended December 31, 2010, and the period from inception (December 9, 2009) to December 31, 2009. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and trust equity of Successor Coeur d'Alene Custodial and Work Trust as of December 31, 2010 and 2009, and its revenue, expenses, and changes in trust equity for the year ended December 31, 2010, and the period from inception (December 9, 2009) to December 31, 2009, on the basis of accounting described in Note 1.

Peterson Sullivan LLP

October 5, 2012

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SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

STATEMENTS OF ASSETS, LIABILITIES, AND TRUST EQUITY – MODIFIED CASH BASIS

December 31, 2010 and 2009

ASSETS	2010	2009
Cash and cash equivalents	$ 149,589,519	$ 185,403,172
Investments	288,766,095	251,239,217
	$ 438,355,614	$ 436,642,389

LIABILITIES AND TRUST EQUITY		
Trust equity	$ 438,355,614	$ 436,642,389

See Notes to Financial Statements

SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN TRUST EQUITY – MODIFIED CASH BASIS

For the Year Ended December 31, 2010, and the Period from Inception (December 9, 2009) to December 31, 2009

	2010	2009
Revenue		
Receipt of settlement funds	$ -	$ 359,179,000
Receipt of interest on delinquent payment of settlement funds		77,460,890
Interest and dividend income	6,703,467	57,784
	6,703,467	436,697,674
Expenses		
Investment fees	1,211,245	
Environmental remediation	178,311	
Trustee and employee fees	150,276	3,539
Legal fees	47,703	48,327
Property insurance and taxes	17,501	
Accounting fees	1,642	
Other	29,676	
Realized loss on sale of investments	3,353,888	3,419
	4,990,242	55,285
Change in trust equity	**1,713,225**	**436,642,389**
Trust Equity, beginning of year	436,642,389	
Trust Equity, end of year	$ 438,355,614	$ 436,642,389

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

The Successor Coeur d'Alene Custodial and Work Trust ("the Trust") was established as part of a bankruptcy proceeding involving Asarco LLC and its subsidiaries ("Asarco"). The Trust took effect on December 9, 2009, following a final determination by the United States District Court in Corpus Christi, Texas, which affirmed a Settlement Agreement between the United States Environmental Protection Agency ("EPA"), Asarco, various other mining companies, and Daniel Silver, Trustee.

Under the terms of the Trust Agreement, Asarco transferred properties and cash to the Trust, to be placed into three segregated trust accounts. The sum of the monies transferred was $436,639,890 which includes the settlement amount of $359,179,000 and interest accrued since the date of settlement of $77,460,890. Each account is used for specific purposes as follows: 1) one of the accounts pays for environmental remediation projects approved by EPA; 2) one pays for environmental actions approved by EPA and prioritized by federal Natural Resource Trustees; and 3) one is used to fund environmental and administrative actions related to properties owned by the Trust.

The Trust has two offices, one in Olympia, Washington and a second in Kellogg, Idaho. The Trustee resides and works in Olympia. The Trustee has overall responsibility for all Trust activities, including investment and management of the Trust monies. The Kellogg office is responsible for selection and oversight of the remediation contractors.

The sole beneficiary of the Trust is EPA.

Modified Cash Basis Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under this basis, the only assets recognized are cash and investments, and no liabilities are recognized (unless caused by cash transactions). The modified cash basis differs from accounting principles generally accepted in the United States primarily because revenues and expenses are recognized when received or paid, rather than when earned or incurred.

Cash and Cash Equivalents

Cash and cash equivalents includes money market funds and U.S. Government obligations with an original maturity of three months or less. The Trust has deposits in financial institutions in excess of federally insured limits. The Trust considers all short-term securities with a maturity at the time of purchase of three months or less to be cash equivalents.

Investments

Investments are reported at cost in the statements of assets, liabilities, and trust equity. Realized gains and losses are included in the change in trust equity.

Income Taxes

The Trust is a qualified settlement fund under Section 468B of the Internal Revenue Code. However, since the trust is beneficially owned by EPA, it is exempt from federal income tax. Tax years that remain subject to examination by federal authorities are 2009 and 2010.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Trust has evaluated subsequent events through the date these financial statements were available to the issued, which is the same date as the independent auditors' report.

Note 2. Investments

Investment activity for the year ended December 31, 2010, and the period from inception (December 9, 2009) to December 31, 2009, was as follows:

	2010	2009
Balance, beginning of period (at cost)	$ 251,239,217	$ -
Purchases	796,745,912	252,265,846
Proceeds on sale	(755,865,146)	(1,023,210)
Realized loss on sale	(3,353,888)	(3,419)
Balance, end of period (at cost)	$ 288,766,095	$ 251,239,217

Investments held by the Trust at December 31, 2010 and 2009, were as follows:

	2010		2009	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Fixed Income				
U.S. government obligations	$144,737,168	$144,893,536	$148,180,966	$147,698,022
Corporate obligations	20,489,198	20,389,319	59,747,112	59,552,090
Other	7,880,465	8,195,632	12,032,163	11,955,743
Equities	67,687,307	77,818,990	16,247,063	16,478,106
Equity Mutual Funds	21,201,817	22,454,180	6,164,115	6,179,021
Real Estate Funds	20,358,865	23,954,833	4,255,000	4,318,948
Other Mutual Funds	6,011,000	6,403,515	3,483,000	3,526,453
Real Estate Investment Trusts	400,275	426,796	75,616	79,343
Accrued Interest			1,054,182	1,054,182
	$288,766,095	$304,536,801	$251,239,217	$250,841,908

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

All of the Trust's asset fair values above are derived from Level 1 inputs, using quoted market prices.

Accrued investment interest at December 31, 2010, amounted to $928,442 and has not been included in the cost basis or fair value amounts noted above. Accrued investment interest at December 31, 2009, amounted to $1,054,182 and is included in the cost basis and market value amount above as this portion of accrued interest was purchased by the Trust at the same time the investments were purchased.

The Trust agreement places restrictions on the types of investments that may be purchased. In anticipation of the change in investment custodians discussed in Note 4, the Trust allowed certain short term government obligations to mature and temporarily held cash instead. This resulted in the Trust not being in compliance with these restrictions at December 31, 2010. The Trust was in compliance with these restrictions at December 31, 2009.

Note 3. Environmental Remediation Costs

Under the modified cash basis of accounting, environmental remediation costs are recorded when disbursed. Each year the Trust prepares a work-plan and budget for review and approval by EPA. Following EPA's approval, the Trust contracts work to be performed for the requisite environmental activities. The Trust reports quarterly to EPA on the remediation and financial status of the Trust. No funds can be distributed from the Trust without the explicit written approval of the trustee.

Note 4. Subsequent Events

In January 2011, the Trust Agreement was amended to allow for new security holdings. The Trust then changed investment custodians as well as all security holdings. Fees of $580,087 were charged to the Trust related to this transfer.

In August 2011, the Trust began to pay substantial environmental remediation costs.